

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 NEA-10 ISO-00 CCO-00 SSO-00 NSCE-00

INRE-00 STR-08 SCEM-02 INT-08 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 IO-14 NSAE-00 RSC-01

OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01

SS-20 NSC-10 L-03 DRC-01 /184 W

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O R 081939Z NOV 73

FM USMISSION OECD PARIS

TO SECSTATE WASHDC IMMEDIATE 1051

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

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DEPARTMENT PLEASE REPEAT IMMEDIATE TO THE SECRETARY
FOR THE SECRETARY FROM UNDER SECRETARY CASEY

ECOTO 4

E.O. 11652: GDS

TAGS: OVIP, ENRG, FR, OECD

SUBJECT: PARIS ENERGY TALKS

SUMMARY. IN MY MEETING WITH SENIOR FRENCH FOREIGN
MINISTRY ECONOMIC/OIL OFFICIALS, THEY DESCRIBED GOF
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POSITION ON CURRENT SITUATION AS CENTERED ON HOPE THAT

EC POLITICAL INITIATIVE WILL RESULT IN LOSENING OF ARAB OIL CURBS, COMBINED WITH CONTINUED RELUCTANCE TO TAKE PUBLIC SHARING STEPS WITHIN EC FRAMEWORK OR OPENLY DISCUSS WHAT STEPS ARE BEING TAKEN TO MEET DUTCH OR OTHER NEEDS. FRENCH SEE REASONABLE PROSPECT THAT DUTCH ASSOCIATION WITH EC MIDDLE EAST DECLARATION WILL MAKE THEM NO MORE ANTI-ARAB THAN OTHER MEMBERS REMAINING IN FAVORED CATEGORY. END SUMMARY.

1. I MET NOVEMBER 7 WITH BRUNET (DIRECTOR ECON AFFAIRS) AND CABOUAT OIL EXPERT AT FOREIGN MINISTRY TO DISCUSS CURRENT PETROLEUM SITUATION. I NOTED MY DISCUSSIONS WITH UK, FRG, AND EC OFFICIALS ON SITUATION HAD REVEALED HIGH DEGREE OF AMBIVALENCE IN THEIR THINKING ON WHAT THEY BELIEVE NECESSARY TO DO IN ORDER TO KEEP OIL SUPPLIES FLOWING AND WHAT NEEDS BE DONE TO SUPPORT FUNDAMENTAL POLITICAL SOLUTION TO THE UNDERLYING MIDDLE EAST PROBLEM. BRUNET SAID THAT BASIC AIM OF FRENCH IS TO DO SOMETHING WHICH WOULD BE EFFECTIVE, RATHER THAN MERE WORDS. GOF BELIEVES PROBLEM SHOULD BE ATTACKED AT ITS ROOT, IN EFFORT TO TURN TRAGEDIES OF WAR INTO BASIS FOR POLITICAL SOLUTION; IN THIS LIGHT, FRENCH VIEW JOINT STATEMENT OF EC AS POSITIVE DEVELOPMENT. IN MEANTIME, PROBLEM EXISTS OF HOW TO OBTAIN ADEQUATE OIL SUPPLIES. GOF STATED OBJECTIVE IS TO GET AS MUCH OIL INTO EUROPE AS POSSIBLE. OIL SHORTAGE IS NOT AS YET DANGER TO EC, WHICH HAS TRIED TO DEAL WITH UNDERLYING PROBLEM THROUGH ITS POLITICAL INITIATIVE TO WHICH IT HOPES TO HAVE POSITIVE RESPONSE IN COMING DAYS. IN ANSWER TO MY QUESTION WHETHER FRENCH HOPE THAT ARABS WILL IMPOSE NO NEW PRODUCTION RESTRICTIONS, BRUNET SAID THAT THEY HAVE HOPES THAT THERE COULD EVEN BE SOME SLACKING OFF OF PRESENT CURBS.

2. CABOUAT DESCRIBED FRENCH VERSION OF NOVEMBER 6 EC MEETING. ACCORDING CABOUAT, GENERAL FEELING AT MEETING HAD BEEN THAT (A) OIL SITUATION NOT DRAMATIC ENOUGH AT PRESENT TO TAKE DRASTIC MEASURES OR MAKE SOLEMN PROCLAMATIONS OF SOLIDARITY, (B) THAT DISCRETION AND SECRECY VERY IMPORTANT IN DEALING WITH THE ISSUE, AND (C) THAT BASIC STEPS NEEDED ON THE POLITICAL LEVEL. NEITHER DUTCH NOR GERMANS, HE SAID, HAD PRESSED FOR ASSISTANCE FROM EC PARTNERS. ONE DELEGATION HAD NOT EVEN WANTED TO DISCUSS PROPOSALS BEFORE

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COMMISSION ON INTERNAL AND EXPORT CONTROLS FOR EC, FEELING THAT SUCH LEGAL/ADMINISTRATIVE MEASURES WERE SECONDARY TO NEED FOR POLITICAL DECISIONS. PROBLEM IS NOT MOVEMENT OF PRODUCTS WITHIN EC AREA, BUT DIVERSION OR SHIFTING OF CARGOS OFFSHORE.

3. WHEN ASKED WHETHER DUTCH, IN RESTRAINING THEIR APPEALS FOR EC SOLIDARITY AND IN SIGNING JOINT DECLARATION, MIGHT EXPECT

SOME ASSISTANCE IN RETURN, BRUNET NOTED THAT "SILENCE IS GOLDEN" BUT EXPRESSED DESIRE TO HAVE DUTCH GET NEEDED ASSISTANCE QUIETLY. SHIFTING GROUND SOMEWHAT, HE NOTED THAT GOF HOPES THAT VISIT OF SAUDI AND ALGERIAN MINISTERS OF OIL WILL GIVE OCCASION TO "TALK SENSE" TO THEM.

4. IN SHORT DISCUSSION OF EFFECTS PRESENT SUPPLY SHORTAGES, I POINTED OUT THAT U.S. CURRENTLY HARDEST HIT, WITH 15-18 PER CENT OF DEMAND, INCLUDING SEASONAL PLUS OFFSHORE MILITARY CONSUMPTION, BEING AFFECTED. I NOTED THAT PRESIDENT NIXON WOULD VERY SHORTLY MAKE PUBLIC PROPOSALS FOR CONVERSATION AND INCREASING U.S. PRODUCTION. BRUNET DESCRIBED GOF ATTITUDE "FOR TIME BEING" AS DOWNPLAYING ISSUE OF SUPPLY, NOTING THAT IN CONSERVATION MEASURES TAKEN SO FAR GOF WAS NOT BEING VERY SERIOUS.

5. TURNING TO OIL PRICE PROBLEM, I ASKED WHAT INFLATIONARY IMPACT WOULD BE IN FRANCE. BRUNET SAID 1 PER CENT ANNUAL INCREASE SO FAR MENTIONED WAS PROBABLY TOO LOW. HE NOTED THAT EUROPEANS WOULD HAVE TO BEAR FULL COST, WHILE U.S. WOULD BENEFIT FROM EFFECTS IMPROVED PRICES ON INCREASING PRODUCTION OF DOMESTIC ENERGY SOURCES AND FROM ITS IMPROVING COMPETITIVE TRADE POSITION IN GENERAL. I THEN ASKED IF GOF HAD DRAWN CONCLUSIONS ON PROSPECTS FOR OR MEANS OF FUTURE OIL NEGOTIATIONS IN LIGHT OF VIEW OFTEN HEARD THAT OIL COMPANIES NO LONGER ABLE TO NEGOTIATE EFFECTIVELY ON BEHALF OF CUSTOMERS. CABOUAT SAID GOF BELIEVED THAT CERTAIN HELPFUL STEPS COULD BE TAKEN BY GOVERNMENTS TO CONTROL FLOW OF OIL, MARKET PRICE BEHAVIOR OF COMPANIES ETC., BUT THAT BASIC SITUATION WOULD REMAIN THAT PRODUCERS HAVE PRODUCT CONSUMERS NEED BADLY. I CLOSED BY NOTING THAT PRODUCERS' DRIVE FOR HIGHER PRICES WOULD BEGIN TO BE BLUNTED ONLY WHEN THEY SAW CONSUMERS WORKING SERIOUSLY TO REDUCE CONSUMPTION

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AND DEVELOP ALTERNATIVE ENERGY SOURCES.
CASEY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ENERGY, PETROLEUM PRODUCTION, MINISTERIAL MEETINGS, EMBARGOES, EXPORT CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973OECDP28914
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731147/aaaabidk.tel
Line Count: 156
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 22 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22-Aug-2001 by izenbei0>; APPROVED <26-Nov-2001 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PARIS ENERGY TALKS SUMMARY. IN MY MEETING WITH SENIOR FRENCH FOREIGN
TAGS: OVIP, ENRG, FR, OECD
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005